



**U.S. Customs and Border Protection
Report to Congress on
the Automated Commercial Environment (ACE)
Second Quarter 2006**

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I am pleased to submit the Report to Congress on the Automated Commercial Environment (ACE), Second Quarter 2006, as directed by House Report 109-79 and the Customs Border Security Act of 2002 (Trade Act of 2002).

This report is submitted quarterly, providing an update of ACE accomplishments, challenges, fiscal status, and upcoming program milestones. Most significantly, the report demonstrates how ACE is helping U.S. Customs and Border Protection (CBP) achieve the Department of Homeland Security strategic objectives, and is providing CBP personnel in the field with the enhanced capabilities to better accomplish the CBP mission of preventing terrorism and facilitating legitimate trade and travel.

Deborah J. Spero
Acting Commissioner
U.S. Customs and Border Protection

U.S. Customs and Border Protection Report to Congress on the Automated Commercial Environment (ACE)

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1. Legislative Requirement

The Automated Commercial Environment (ACE) Report to Congress is provided quarterly in accordance with the requirement set forth in House Report 109-79, which states:

The Committee believes that ACE and CBP modernization should be integrated, if not form the core, of DHS information system and border security technology, including the Container Security Initiative and Automated Targeting Systems. The Committee directs CBP to address such issues in its quarterly reports on ACE implementation progress.

H. R. Rep. 109-79, at 31 (2005).

In addition, the ACE Report to Congress satisfies section 311(b)(3) of the Customs Border Security Act of 2002 (Trade Act of 2002), which requires that:

Not later than 90 days after the date of the enactment of this Act, and not later than the end of each subsequent 90-day period, the Commissioner of Customs shall prepare and submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report demonstrating that the development and establishment of the Automated Commercial Environment computer system is being carried out in a cost-effective manner and meets the modernization requirements of title VI of the North American Free Trade Agreement Implementation Act.

Customs Border Security Act of 2002, Pub. L. No. 107-210, § 311, 116 Stat. 933, 973 (2002).

This report also complies with Government Accountability Office (GAO) Report 04-719, Customs Modernization, May 2004, which requires U.S. Customs and Border Protection (CBP) to report on the status of open GAO recommendations.

2. Executive Summary

The Report to Congress on ACE provides an update on ACE accomplishments, challenges, fiscal status, and upcoming program milestones. Most significantly, the report demonstrates how ACE is helping CBP achieve DHS strategic objectives, and is providing CBP personnel in the field with enhanced capabilities to better accomplish the CBP mission of preventing terrorism and facilitating legitimate trade and travel.

Congress has stated that ACE and CBP Modernization should be integrated with, if not form the core of, DHS information systems and border security technology.

Accordingly, this report also addresses the ongoing CBP efforts to integrate ACE with other systems and engage other Government agencies to participate in the ACE/ International Trade Data System (ITDS). The report also includes the status of efforts to resolve GAO open audit recommendations, including the status of progress against program commitments.

The Report to Congress on ACE is provided to the Senate Finance Committee, House Ways and Means Committee, and both the House and Senate Appropriations Committees. The reporting period for this update is January 1 to March 31, 2006. A review of previous reports may be helpful in understanding the full context of the information provided in this edition of the report. Appendix A outlines ACE capabilities.

Notable in this Report

CBP deployed e-Manifest: Trucks (Release 4) capabilities to land border ports in Texas and New Mexico, including Brownsville, Pharr, Progreso, Rio Grande City, Roma, Eagle Pass, Del Rio, El Paso, and Presidio, Texas, as well as Santa Teresa, and Columbus, New Mexico. ACE is now operational at 39 land border ports.

The number of companies certified to file electronic manifests via Electronic Data Interchange (EDI) more than tripled to 131 carriers and 14 service bureaus during the second quarter of Fiscal Year 2006 (FY06).

The number of portal and non-portal accounts that have been approved to pay duties and fees monthly increased more than 60 percent during the second quarter of FY06. More than \$3 billion in duties and fees have been collected since the first monthly payments were made in July 2004.

3. Background

In 2001, the U.S. Customs Service (now part of CBP) embarked on ACE as its first project in a multiyear modernization effort to reengineer agency business processes and the information technology that supports them. The initial plan was to focus first on ACE and trade processing and then on other elements of CBP Modernization, including enforcement. The terrorist attacks on September 11, 2001, changed this focus. ACE is being developed to support the CBP mission of: (1) protecting the American public against terrorists and the instruments of terror and (2) enforcing the laws of the United States while fostering our Nation's economic security through lawful international trade and travel.

With the establishment of DHS, CBP has also aligned ACE with the DHS mission and strategic goals. ACE will help reduce our Nation's vulnerability to threats without diminishing economic security by providing threat awareness, prevention, and protection for the homeland. Specifically, ACE will help:

- detect, deter, and mitigate terrorist and other threats;
- assess vulnerabilities to homeland security and the American public;
- safeguard U.S. citizens and critical infrastructure from acts of terrorism; and
- serve the public by effectively facilitating the movement of lawful trade.

Working closely with other Government agencies and the trade community, CBP is modernizing to enhance interagency information sharing and analysis, replace and/or supplement existing systems taxed by increasing demands, and comply with legislation requiring greater agency efficiency and effectiveness to better serve the public. Among other capabilities, CBP personnel will have even more advanced automated tools and better information to decide – before a shipment reaches U.S. borders – what cargo should be targeted because it poses a potential risk, and what cargo should be expedited because it complies with U.S. laws.

4. Performance

This section highlights the alignment of ACE with the 1993 Customs Modernization Act (Mod Act), selected program accomplishments, and actions related to the open GAO recommendations.

4.1 Compliance with the Customs Modernization Act

The 1993 Mod Act was passed with legislation implementing the North American Free Trade Agreement. The Mod Act is the legal foundation for the CBP Modernization effort and promotes the concepts of “informed compliance” and “shared responsibility.” This

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requires CBP to provide accurate and timely information on CBP roles and responsibilities to the trade community. It also requires the trade community to use reasonable care in fulfilling their compliance obligations. To help accomplish these objectives, the Mod Act outlined requirements for automation and emphasized electronic trade processing. The delivery of ACE capabilities will fulfill the Mod Act by providing a secure Web-enabled environment. ACE is providing new capabilities to government users and the trade community by enabling the redesign of trade compliance processes and strengthening Screening and Targeting (S&T) systems. These are key requirements for enhancing border security and expediting legitimate trade. Appendix B shows how ACE releases are aligned with the Mod Act and will fulfill its requirements upon the completion of ACE.

4.2 Selected ACE Accomplishments

The following are selected program accomplishments between January 1, 2006, and March 31, 2006:

- **Expanded cargo processing in ACE at the Southern Border.** CBP deployed e-Manifest: Trucks (Release 4) capabilities to land border ports in Texas and New Mexico, including Brownsville, Pharr, Progreso, Rio Grande City, Roma, Eagle Pass, Del Rio, El Paso, and Presidio, Texas, as well as Santa Teresa, and Columbus, New Mexico. ACE is now operational at 39 land border ports.
- **Expanded electronic manifest certification.** The number of companies certified to file electronic manifests via EDI more than tripled to 131 carriers and 14 service bureaus during the second quarter of FY06. More than 230 companies have signaled their intent to become EDI-certified.
- **Expanded Periodic Monthly Statement participation.** During the second quarter of FY06, the number of portal and non-portal accounts that have been approved to pay duties and fees monthly increased more than 60 percent. CBP collected \$385.5 million in duties and fees via the February 22, 2006, monthly statement, representing 19.2 percent of total adjusted statement collections. The agency has collected \$3.2 billion in duties and fees since issuing the first monthly statements in July 2004.
- **Completed the User Acceptance Test (UAT) for Screening Foundation (S1) capabilities.** On January 12, 2006, CBP completed the S1 UAT, which enabled a limited number of field users to test S1 capabilities and provide initial feedback in a controlled, non-operational environment. Feedback and results from the UAT provided a roadmap of remaining issues that must be addressed before transitioning S1 to full production mode. S1 provides a state-of-the art rules engine and user interface that allows screening rules to be easily developed, tested, and implemented without changes to software code.

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- **Implemented Foreign Trade Zone (FTZ) automated admission and cargo control capabilities.** FTZ operators in Greenville, South Carolina, and Dallas and Port Arthur, Texas, are using ACE FTZ capabilities to automate the submission of the CBP Form 214. By reducing paper document handling, these capabilities are improving efficiency for CBP officers and the trade community, while also enhancing the agency's ability to track and screen goods entering FTZs.
- **Completed the Advance Trade Data Initiative (ATDI) Phase 3 Prototype:** Completion of ATDI Phase 3 provides insight into relationships among shipments, containers, and vessels, and has successfully demonstrated the value of advance trade data for additional analysis and targeting purposes. Examples of Phase 3 data include purchase orders; advance shipping notices; booking confirmations; bills of lading; as well as status and stuffing messages provided by seven importers, three port community operators, four ocean carriers, a freight forwarder, three ocean carrier portals, and two open source data sets.
- **Completed the Project Definition Completion Review (PDCR) for e-Manifest: All Modes and Cargo Security (Release 6) e-Manifest: Rail and Sea (M1) capabilities.** On February 16, 2006, CBP completed the PDCR for Release 6 M1 capabilities, indicating that requirements are defined and system design can begin.
- **Completed Targeting Foundation (S2) Critical Design Review (CDR).** On February 23, 2006, CBP completed the S2 CDR, indicating that the S2 design is complete and system development can begin.
- **Completed Advanced Targeting (S3) Project Initiation and Authorization Review (PIRA).** CBP completed the S3 PIRA on February 23, 2006, marking the initiation of S3 detailed requirements development activities.
- **Collaborated with Alcohol and Tobacco Tax Trade Bureau (TTB) to automate the tobacco import process.** CBP collaborated with TTB, which has become a Participating Government Agency, to automate the verification of certifications required by the Imported Cigarette Compliance Act of 2000 (Public Law 106-476). ACE will be used to automate the tobacco import process in two phases, with completion of each phase planned in the second quarter of FY07 and the fourth quarter of FY08, respectively.
- **Conducted Trade Support Network (TSN).** Held from February 27 to March 1, 2006, the TSN provided trade community participants with an opportunity to discuss ACE related issues, receive updates on ACE capabilities, and receive a status on ACE implementation dates.

4.3 Open GAO Recommendations

The following section details efforts to address open GAO recommendations. Based on anticipated receipt of the final GAO report on the FY06 Modernization Expenditure Plan, the Office of Information and Technology (OIT) expects that the next edition of this report will address new GAO recommendations. The next edition of this report will also detail efforts, as appropriate, to respond to GAO observations on the agency's progress to address existing open recommendations.

4.3.1 Cost Estimating

GAO Recommendation: Develop and implement a rigorous and analytically verifiable cost-estimating program that embodies the tenets of effective estimating as defined in the Software Engineering Institute's institutional and project-specific estimating models. Ensure that future expenditure plans are based on cost estimates that are reconciled with independent cost estimates.

OIT has established a disciplined cost-estimating process. This process includes a Life Cycle Cost Model (LCCM), which enables an independent government analysis and validation of primary cost and schedule estimates. The LCCM is also used to develop CBP Modernization Expenditure Plans. As part of its review of the FY06 Modernization Expenditure Plan, the GAO found that the Modernization Program had reconciled independent cost estimates with those used to develop the subject expenditure plan.

4.3.2 Human Capital Management (HCM)

GAO Recommendation: Immediately develop and implement a human capital management strategy that provides both near- and long-term solutions to the program office's human capital capacity limitations.

The CSPO human capital effort remains grounded in the established Strategic Human Capital Management Plan and the 10 human capital principles emphasized by the GAO (January 2000 GAO report Human Capital: Key Principles from Nine Private Sector Organizations).

CSPO core and job-specific competencies are defined and serve as the foundation for all CSPO human capital activities and practices. They are incorporated into the CSPO strategic human capital management activities, specifically in the areas of:

- recruitment, selection, and retention;
- training and development; and
- performance management.

Efforts to recruit, retain, and further develop highly qualified staff begins with applicant evaluation templates that reflect job-specific tasks and competencies. CSPO uses

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program-specific selective factors, which include defined core and job-specific competencies, as appropriate, to target and select candidates.

The Effective Manager's Handbook was designed to help CSPO managers successfully supervise employees and assist them with achieving stellar results while fostering individual and team development. The handbook identifies useful tips and guidelines for management success and provides additional resources and points of contact within CSPO that can coach and guide management development. The handbook consists of four toolkits covering orientation, recruitment and selection, retention, and performance management.

The training needs assessment, conducted on an annual basis, addresses the program training needs as well as career development, organizational development, and performance management needs. The data collected from the needs assessment serve as the primary input to the annual fiscal year training plan. This plan describes the training to be conducted on CSPO process assets, tools, and acquisition program management skills.

ACE program managers continue to develop their skills in acquisition and project management, as well as leadership effectiveness. Twenty-six ACE program managers have completed the Program Management Education and Certification Program, and an additional four will graduate in August 2006. Seventeen ACE program managers have achieved Project Management Professional (PMP) certification by the Project Management Institute and one has achieved DHS level II certification in acquisition management. Eight ACE program managers have completed the Leadership Development and Management Training Program.

Currently, CSPO is using the Project Management Body of Knowledge to define roles and responsibilities for all Senior Executive Service, GS-15, and GS-14 program/project managers. Completion of these efforts is expected to eliminate work overlap, reduce project management gaps, and enhance organizational performance. Efforts to further increase organizational performance include near- and long-term human capital assessments and recommended solutions, which are documented in the new CSPO Strategic Human Capital Management Plan.

4.3.3 Use of ACE Infrastructure for DHS

GAO Recommendation: Take appropriate steps to have future ACE expenditure plans specifically address proposals or plans to extend or use ACE infrastructure to support other homeland security applications.

To date, no expenditures have been planned for ACE to support other homeland security applications. The ACE program continues to coordinate with other homeland security system programs in four areas. First, the overall DHS cargo screening information technology architecture is being coordinated by the Cargo Screening Subcommittee of the DHS Chief Information Officer (CIO) Council. Members of this subcommittee, chaired by the CBP CIO, include the CIOs of the Transportation Security

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Administration, U.S. Coast Guard, Federal Emergency Management Agency, Domestic Nuclear Detection Office, and DHS Science and Technology directorate, as well as representatives from the office of the DHS CIO. ACE program managers are supporting this subcommittee. Second, ACE S&T capabilities are being integrated with the Automated Targeting System (ATS). The result will be a modernized ATS based on a modular, service-oriented architecture that can easily be leveraged across the Department. The modernized ATS will provide new S&T capabilities and enable greater flexibility to more rapidly incorporate emerging technologies in the future. Third, OIT is coordinating ACE implementation with the existing support for the Container Security Initiative (CSI) via existing production systems, including the Automated Manifest System and the ATS. When completed, ACE All Modes and Cargo Security (Release 6) and S&T capabilities will support the automation requirements of the CSI program. Fourth, CBP continues to coordinate with other Federal agencies through ITDS and the United States Visitor and Immigrant Status Indicator Technology (US-VISIT) program, in particular. Joint ACE/US-VISIT coordination activities include monthly program integration meetings focusing on integrated master schedule management, risk, Earned Value Management (EVM), measurement, and process improvement, including the use of Lean and Six Sigma process and quality improvement best practices in the daily operation of both programs. Quarterly executive meetings continue to focus on program budgeting, operations and maintenance, and infrastructure. The ACE and US-VISIT programs are sharing workstations and network infrastructure to reach frontline CBP officers at U.S. ports of entry.

4.3.4 Measurement of Program Management Improvement Efforts

GAO Recommendation: Define measures, and collect and use associated metrics, for determining whether prior and future program management improvements are successful.

Initial efforts to respond to this recommendation focused on ensuring that the Government could measure the progress of the prime contractor's implementation of the 2003 Performance Improvement Action Plan. Toward this end, OIT increased its emphasis on EVM analysis at ACE program-level performance reviews, including the monthly program management review. In addition, OIT implemented a systematic program to continually improve the quality of data from its EVM system for the Modernization Program. Consistent with Office of Management and Budget (OMB) directives, and the President's Management Agenda, the EVM system is used to predict potential future performance, plan for and implement corrective actions, and assess whether management changes have positively affected cost and schedule performance. EVM is an integral facet of the accountability framework (discussed below in section 4.3.6) that CBP is using to assess business and program management performance across the Modernization Program.

4.3.5 ACE Program Quarterly Reporting

GAO Recommendation: Report quarterly to the House and Senate Appropriations Committees on the efforts to address open GAO recommendations.

CBP has been providing quarterly reports on ACE since November 2002 in response to report language contained in accompanying annual Appropriations Acts, the Customs Border Security Act of 2002 (Trade Act of 2002), and the GAO reporting requirements indicated in this recommendation. DHS directed that CBP route the quarterly reports through DHS, beginning with the March 2003 report. DHS then sends the report to OMB for review and approval. The DHS Assistant Secretary for Legislative Affairs transmits the report to Congress once all reviews are completed.

4.3.6 ACE Program Accountability Framework

GAO Recommendation: Define and implement an accountability framework that ensures future ACE releases deliver promised capabilities and benefits within budget and on time.

CBP takes its “contract with Congress” and the program commitments reflected in ACE expenditure plans seriously. CBP is building on the existing program management foundation to address the following six expected outcomes that the GAO detailed as part of this recommendation:

- Define and implement an ACE accountability framework that ensures coverage of all program commitment areas, including key expected or estimated system (1) capabilities, use, and quality; (2) benefits and mission value; (3) costs; and (4) milestones and schedules. ACE program leadership has instituted the use of the ACE Accountability Framework (AAF) to provide a comprehensive assessment of ACE capabilities; cost; schedule; EVM indicators; program risks; mission values and benefits (relative to Department and agency strategic goals); and business performance measures. Updated monthly and used as the basis for monthly Program Management Reviews (PMRs), the AAF supports informed executive decision-making and provides external program stakeholders with consistent, transparent reporting on progress against program commitments. The structure of the AAF, depicted in Appendix E, is populated with information on all ACE projects and releases. Data for the AAF is sourced from a measurements database. Content included in the AAF also derives from ACE Desired Business Results, which are included in the Modernization Acquisition Program Baseline as well as Appendix C of this report, and ACE Performance Measures, included in Appendix D. Prior to distribution at the PMR, CBP directors review and approve the accuracy of AAF content for the ACE projects and releases within their respective areas of responsibility. CBP continues to work with stakeholders to further enhance the format, readability, and utility of the AAF as a program management and reporting tool.

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- Ensure the currency and completeness of program commitments made to the Congress in Expenditure Plans. CBP is working to better align the Modernization Expenditure Plan with the ACE Program Plan. The Report to Congress on ACE provides quarterly updates on the status of progress toward fulfilling these commitments.
- Establish reliable data to measure progress against commitments. OIT has combined Problem Trouble Report (PTR) tracking under a development team, which has greatly improved establishing, assessing, and reporting on data that assists in measuring the progress of ACE development. OIT has also completed initial implementation of Remedy software to track and manage ACE Secure Data Portal trouble tickets. When fully configured, Remedy will improve the tracking of PTR-related trouble tickets until underlying PTRs are closed. Remedy will also alert trouble ticket owners when full closure of a ticket will first necessitate resolution of an underlying PTR.
- Report in future expenditure plans progress against commitments contained in prior expenditure plans. CBP has added a section to the FY06 Expenditure Plan that ties back to and tracks milestones and other program commitments made in all prior expenditure plans. Based on input from Congressional staff members, future expenditure plans will include specific cost data in this section of the FY07 Expenditure Plan.
- Ensure criteria for exiting key readiness milestones adequately consider indicators of system maturity, such as severity of open defects. OIT holds weekly formal gate review meetings at which all ACE and other OIT projects are reviewed at the completion of each stage of the Systems Development Lifecycle (SDLC). Consolidated gate review information templates, which provide a common standard for preparing gate review presentations, as well as a standard agenda, are used to ensure that pertinent issues and risks are evaluated and addressed. Formalized pre-gate reviews are now used to assure that a rigorous process is followed. Defined gate review criteria have been instituted, including verification of PTR measures in the appropriate stages. These gate criteria are used to determine a project's readiness to transition to the next SDLC stage.
- Establish clear and unambiguous delineation of the respective roles and responsibilities of the government and prime contractor. A responsibility matrix to delineate roles and responsibilities between the Government and the ACE Support Team (formerly known as the e-Customs Partnership) has been provided to the Department for review and routing to the GAO. This matrix will be included in an updated ACE Acquisition Plan, which will be provided to the DHS Chief Procurement Officer for approval prior to execution of the next five-year option of the ACE Support Team contract. The GAO has indicated its intent to close this recommendation.

5. Cost and Schedule

5.1 Program Baseline

The Acquisition Program Baseline reflects a \$3.3 billion, 8.5-year program, with completion of ACE development in July 2010. Baseline schedule and cost estimates were validated through the Independent Government Cost Estimate. Based on a review of future ACE releases and revisions to program inflation rate projections (discussed in the September 30, 2005, edition of this report), OIT anticipates that ACE development can be completed by January 2010 at a cost of \$2.8 billion. Although CBP continues to manage to the acquisition program baseline, the agency is focused on meeting the aforementioned new cost and schedule targets.

5.2 Cost, Schedule, and Fiscal Status

Both CBP and the trade community continued to expand the use of ACE capabilities during the second quarter of FY06. CBP has now deployed e-Manifest: Trucks capabilities to 39 land border ports. Nearly 2,000 e-Manifests have been filed to date, and more than 140 companies are certified to transmit electronic truck manifests via EDI. Carriers submitting e-manifests are providing enthusiastic feedback on the ability of the ACE electronic truck manifest to save time, reduce paperwork, and provide increased visibility into the status of shipments. ACE e-Manifest: Trucks features are also enhancing the screening of low value shipments and reducing routine paperwork for CBP officers, enabling them to spend more time on risk assessment activities while also expediting legitimate cargo and conveyances.

CBP continues to work diligently to deploy e-Manifest: Trucks capabilities to all land border ports. Later this year, CBP expects to begin the phased port-by-port implementation of a mandatory requirement to submit electronic truck manifests pursuant to the Customs Border Security Act of 2002 (Trade Act of 2002). To achieve this objective, CBP is focused on resolving system fixes and enhancements that were identified through operational use at the border, as well as augmenting the ACE Secure Data Portal support desk and account registration staff to support an expected increase in ACE usage. CBP will also continue to carefully monitor truck processing time to ensure that ACE meets the operational requirements of each port.

Use of ACE across the Federal government also continues to grow. Over 122 users from 16 Participating Government Agencies (PGAs) now have read-only access to certain ACE data. PGA users are able to view and run over 30 reports that draw from entry and entry summary data collected via the ACE Secure Data Portal. Initial user feedback has been positive, including reports by some agencies that ACE enables them to improve the efficiency of their business processes. ITDS participation has also increased. With the addition of the Internal Revenue Service and the National Marine Fisheries Service, Office for Law Enforcement, there are now 28 ITDS PGAs.

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ACE Periodic Monthly Statement capabilities are simplifying payment processes and providing cash flow benefits for a growing number of importers and brokers. The number of portal and non-portal accounts approved for monthly statement participation increased more than 60 percent to 1,160 accounts during the second quarter. Payment of duties and fees via the ACE Periodic Monthly Statement also continued to grow. CBP collected \$383.5 million in duties and fees via the February 22, 2006, monthly statement, representing 19.2 percent of total adjusted statement collections. Total monthly statement collections since the first monthly payments were made in July 2004 now total \$3.2 billion. While reaching the \$1 billion mark in collections took 13 months, cumulative collections totaled \$2 billion in only four months, and reached \$3 billion in just four months. Contributing to this growth was the agency's October 2005 creation of non-portal accounts, allowing importers to pay duties and fees monthly through a broker without having to first establish an ACE portal account. The outreach campaign to the chief financial officers of top-duty paying companies (completed during the first quarter of FY06) also contributed to the growth in periodic payment participation. Of the 72 companies targeted by this campaign, 28 have either increased their usage of the monthly statement capability, gained approval to begin using this capability, or established an ACE account.

As CBP designs and develops Entry Summary, Accounts, and Revenue (ESAR) (Release 5) and e-Manifest: All Modes and Cargo Security (Release 6) capabilities, the agency is mindful of the inextricable link between sound requirements and system performance, as well as the pivotal role that system performance plays as an ultimate determinant of cost and schedule. For this reason, CBP is "decomposing" legacy system software code to document all existing legacy system capabilities that ACE will leverage or replace. This decomposition effort will ensure that key trade community and CBP operational requirements are not overlooked as ACE requirements are developed for future releases. The decomposition effort is benefiting from the expertise of legacy system experts who have joined the ACE program following the reorganization of OIT in 2005. The integration of these experts into development of ESAR (Release 5) and e-Manifest: All Modes and Cargo Security (Release 6) better positions the Modernization Program to leverage existing capabilities, which will result in more efficient, high-quality development.

To enhance the effectiveness of technical requirements management at the program level, the CSPO Deputy Director has formed a technical integration team to define and manage program-wide infrastructure and system performance requirements. As such, the technical integration team is seeking to reduce costs and the potential for technical conflicts and rework. A requirements management board is charged with managing ACE end-user requirements, and use of the accountability framework reporting tool and monthly program reviews is expected to further enhance coordination between, and management oversight of, release-specific development efforts. Collectively, the foregoing activities should enable the program to manage intensified development activity, facilitate the integration of new capabilities into existing ACE operating capabilities, and posture ESAR (Release 5) and e-Manifest: All Modes and Cargo Security (Release 6) capabilities to hit the mark when fielded.

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Work continues to prepare Screening Foundation (S1) capabilities for transition to full production mode. Following completion of the Production Readiness Review in December 2005, CBP initiated a test of Screening Foundation (S1) capabilities using real production data. CBP also began adding Automated Commercial System (ACS) screening criteria to Screening Foundation (S1) for comparative testing purposes. The initial use of real production data and the completion of the UAT revealed specific data anomalies, as well as user feedback on desired enhancements to the user interface. Based on the need to fully resolve these issues, as well as the desire to complete the comparison of Screening Foundation (S1) capabilities with ACS, CBP postponed the previously scheduled February 9, 2006, Operational Readiness Review (ORR). The ORR is now scheduled for April 6, 2006. A field pilot in Baltimore, Maryland, scheduled for late April or early May 2006, will validate that the release satisfies key requirements for system quality and is ready for production use and deployment.

The FY06 Modernization Expenditure Plan will fund the detailed design and development of cargo management and S&T capabilities. It also supports program management, architecture and engineering activities; enhancements to existing ACE capabilities; costs for infrastructure, operations and maintenance; program office operations; and the ITDS efforts to define PGA requirements for ACE. The FY06 Expenditure Plan is consistent with the Department of Homeland Security Appropriation Act, 2006, (Public Law 109-90). The plan requests \$301 million for ACE and \$16 million for ITDS. The plan requests no management reserve because prior year contract under runs provide sufficient funding to address FY06 program risk.

To date, Congress has appropriated \$1.71 billion and released \$1.39 billion for ACE/ITDS. Of the \$1.39 billion, \$1.37 billion has been obligated, and \$1.22 billion has been expended (99 percent and 88 percent of released funding, respectively) as of February 28, 2006. Figure 2 provides a summary of ACE funding.

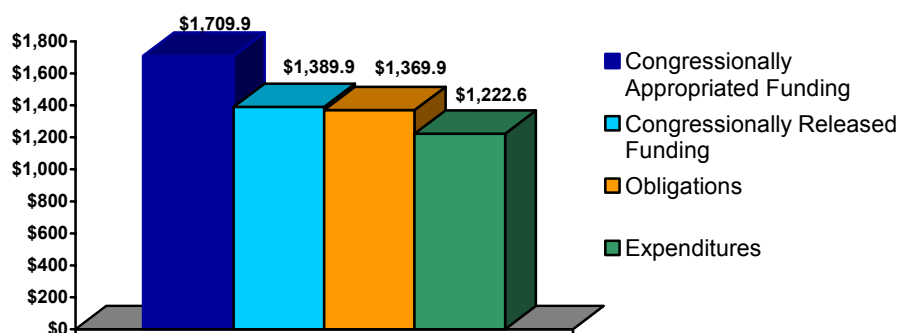


Fig. 1: ACE and ITDS Funding Status as of February 28, 2006

6. Near-Term Milestones

The following are key near-term milestones scheduled between April 1, 2006, and June 30, 2006.

April 2006

- CBP will complete the Screening Foundation (S1) ORR.
- CBP projects that e-Manifest: Trucks capabilities will be deployed to Laredo, Texas, including the Colombia Solidarity Bridge and the World Trade Bridge.

May 2006

- CBP projects that e-Manifest: Trucks capabilities will be deployed to Otay Mesa, California, and surrounding ports, including Calexico, Andrade, and Tecate, and as well as San Luis, Arizona. Deployment to these ports will complete the deployment of e-Manifest: Trucks (Release 4) to the Southern Border.
- CBP will complete development of a wireless prototype of e-Manifest: Rail and Sea (M1) capabilities. The prototype will demonstrate capabilities that allow CBP officers to accept and release rail and sea cargo holds via a hand-held wireless device.
- The CDR for ESAR Master Data and Enhanced Accounts (A1) capabilities will be conducted, enabling system development work to begin.
- OIT will complete a Preliminary Design Workshop for e-Manifest: All Modes and Cargo Security (Release 6) e-Manifest: Rail and Sea capabilities. The workshop will ensure that system design is aligned with desired business results, and that system architecture is sufficient to guide detailed design based on an Enterprise Architecture Certification Review.
- OIT will update the ACE Program Plan with revised schedule and cost estimates.

June 2006

- CBP expects to begin deployment of e-Manifest: Trucks capabilities to the Peace Bridge, in Buffalo, New York, as well as smaller truck land border crossings across New York.

7. Conclusion

For CBP Officers using ACE to clear cargo at land border ports, carriers and drivers filing electronic truck manifests, and importers and brokers across the country who are paying duties and fees monthly, ACE is already beginning to deliver on its promise of

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enhancing cargo security and facilitating legitimate trade. Monthly statement participation, the use of electronic truck manifests, and the presence of ACE cargo processing capabilities at the border continues to grow.

Continued operational deployment and new development in the months ahead will further contribute to the growing momentum of the ACE program. With the completion of e-Manifest: Trucks deployment in view and the demonstrated growth in Release 4 operational maturity, CBP will introduce the phased implementation of mandatory submission of electronic truck manifests. Completion of the Screening Foundation (S1) ORR and deployment of S1 capabilities will enhance the agency's capability to detect high-risk cargo. Design and development of ESAR (Release 5), and e-Manifest: All Modes and Cargo Security (Release 6) will provide the foundation for the release of additional cargo security and trade facilitation capabilities that integrate with or replace virtually all CBP trade processing systems. As deployment and development continues, CBP is focused on ensuring ACE will meet high standards for usability and operational effectiveness. Above all, CBP will ensure ACE continues to meet the mission imperative of detecting terrorist efforts to exploit America's supply chain, while expediting the vast majority of legitimate trade that drives our economy.

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For more information:

Additional information on ACE may be found on the CBP Web site (www.cbp.gov) under the Modernization and ACE link.

Previous reports to Congress on ACE may be found on the CBP Web site at http://www.cbp.gov/xp/cgov/toolbox/about/modernization/ace/newsletters/quarterly_reports/.

Questions may be directed to:

Thaddeus M. Bingel
Assistant Commissioner
Office of Congressional Affairs
(202) 344-1760

Louis E. Samenfink
Executive Director
Cargo Systems Program Office
(703) 650-3000

Phil Landfried
Director
Targeting and Analysis Systems Program Office
(703) 822-6004

Appendix A. ACE Implementation and Capabilities

ACE will deliver increased border security and enable improved trade compliance. It will also increase efficiency and improve customer service for key stakeholders, which include importers, brokers, carriers, and Government agencies.

In June 2003, ACE Account Creation was launched with 41 initial importer accounts given access to the ACE Secure Data Portal. Account Creation provides initial on-line account capabilities to CBP and the trade community.

Periodic Payment was launched in June 2004, and an ORR was successfully conducted in August 2004. It allows importers and brokers with ACE accounts to centralize payment processing and to utilize periodic monthly statement and payment capabilities through Automated Clearinghouse Credit and Debit. This release also provides an initial customer account-based subsidiary ledger interface with the CBP general ledger for financial transaction processing, and an expanded account view into account activity logs and exam findings.

Periodic Payment expanded the account management framework to a larger trade audience, including brokers, carriers, and CBP representatives overseeing those areas. The Account Profiles for importers, brokers, and carriers will support some information relevant to the Customs-Trade Partnership Against Terrorism (C-TPAT). A Significant Activities Log provides a record of communications between the account and CBP (and ultimately with PGAs).

e-Manifest: Trucks capabilities, including an automated truck manifest, expedited information processing, and a primary inspector interface (consolidating seven separate cargo release systems), were piloted in Blaine, Washington, in December 2004. Following completion of the pilot, e-Manifest: Trucks capabilities were deployed to selected northern and southern border ports near select hub cities.

In December 2005, CBP tested S1 capabilities using real production data in a controlled, non-operational environment in preparation for transition to full production capability. CBP is focused on resolving specific performance issues before initiating deployment and training activities. S1 provides a robust business rules engine to allow easy creation and assessment of rules for air, rail, sea, and truck modes of transportation.

The following is an outline of the features in future ACE releases.

ACE Secure Cargo Management Capabilities

Entry Summary, Accounts, and Revenue (Release 5)

- Master Data and Enhanced Accounts

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- Most account types, including broker, carrier, commercial driver, importer, consignee, surety, cartman, lighterman, third party claimants, FTZ operator, service provider, warehouse operator, and manufacturer ID/shipper.
- Master and reference data in ACE
- Cross-account access
- Merge accounts
- Entry Summary and Revenue
 - Entry summary processing
 - Liquidation/closeout
 - Post-summary corrections
 - Reconciliation processing
 - Quota/visa processing
 - Team review processing
 - Anti-dumping/countervailing duty processing
 - Licences, permits, certificates and other documents
 - Program participation
 - Managed accounts
 - Prior disclosure processing
 - Protest processing
 - Finance processing
 - Accounts Receivable
 - Collections and receipts
 - Refunds
 - Bond application storage
 - Bond sufficiency
 - Drawback financials

e-Manifest: All Modes & Cargo Security (Release 6)

- e-Manifest: Rail and Sea
 - Cargo manifest processing for sea/rail modes of transportation and conversion of cargo control databases to multi-modal format
 - Initial Multi-Modal Manifest reporting
 - New JAVA (“Windows”) base presentation for CBP internal users
 - Enhanced information reporting and cargo control capabilities, including:
 - Complete itinerary, improved display of cargo stowage plan, validation of the 24- hour pre-arrival notification rule, and expanded vessel information for sea transport.
 - Improved display of the train cargo manifest, house bill of lading information, and expanded train information for rail transport.
 - Expanded inter-modal event reporting by trade partners
 - Enhanced data sharing with PGAs.
 - Secure wireless capability for CBP Officers to communicate remotely and to query and update transaction and enforcement data.

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- Improved method of tracking in-bond (in-transit) cargo and closing it, if it is exported
- e-Manifest: Air
 - Cargo manifest processing and shared multi-modal database with sea/rail modes of transportation
 - Enhanced data sharing with PGAs.
- e-Manifest: Enhanced Tracking
 - Modernization of Cargo Selectivity “entry” processing (cargo release) in ACE
 - Accept all major entry types

Exports & Cargo Control (Release 7):

- Drawback, Protest, and Importer Activity Summary Statement (IASS)
 - Drawback
 - Enhanced protest
 - IASS
 - United States Principal Party of Interest Accounts
- e-Manifest: Final Exports and Manifest:
 - Manifest, e-Release, enforcement, and tracking for mail, hand-carry, and pipeline
 - Export processing (modernization of deployed Automated Export System application)

ACE S&T Capabilities

Targeting Foundation (S2)

- Expands screening to include entry summary data, provides new tools for managing and discerning relationships between entities, and enables system intake of large quantities of data from many more sources. S2 also modernizes the workflow at the NTC. Specific capabilities include:
 - Extended criteria management and execution for entry summary related screening
 - Initial targeting analysis foundation and criteria impact assessment
 - Access to targeting analysis tools (e.g., Request for Information workflow, link analysis, and statistical analysis)
 - Integration of commercial data sources

Advanced Targeting (S3)

- S3 provides for additional screening capabilities and extended targeting tools to analyze trends and patterns that indicate a need for additional targeting and analysis. This release will also provide both operational and technical measures of effectiveness for evaluating the results of screening and targeting capabilities. As such, S3 provides:

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- Extended targeting functionality (i.e., analytical tools and models that will help to identify anomalies and potential areas for extended targeting)
- Extended screening capability to include additional areas (e.g., ACE accounts)
- Enhanced criteria management and criteria impact assessment
- Extensions to the CBP Risk Management Circle (e.g., metrics and compliance measures that will provide insight into, and feedback on, operational and technical targeting effectiveness)
- Feedback loop

Full Screening and Targeting (S4)

- Provide full functionality for all modes of transportation and all transactions
- Full targeting and analysis platform
- Complete S&T framework for all PGAs
- Exports
- Recommended actions
- Completion of the CBP Risk Management Circle
- Integration of passenger and cargo data

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Appendix B. Alignment of ACE Releases with the Modernization Act, Subtitle B Automation Requirements

Modernization Act National Customs Automation Program HR 3450, Subtitle B, Sec. 631	Percentage of Functionality Completed									
	     									
	ACE Releases									
	ACE Foundation and Account Creation (Releases 1 and 2)	Periodic Payment (Release 3)	e-Manifest: Trucks (Release 4)	Screening Foundation (Screening S1)	Targeting Foundation (Screening S2)	Entry Summary, Accounts and Revenue (A1, A2 - Release 5)	Advanced Targeting (Screening S3)	Full Screening and Targeting (Screening S4)	e-Manifest: All Modes and Cargo Security (M1, M2, M3-Release 6)	Exports and Cargo Control (A3, M4 - Release 7)
Electronic entry of merchandise Sec. 411(a)(1)(A)										
Electronic entry summary of required information Sec. 411(a)(1)(B)										
Electronic transmission of invoice information Sec. 411(a)(1)(C)										
Electronic transmission of manifest information Sec. 411(a)(1)(D)										
Electronic payment of duties, fees, and taxes Sec. 411(a)(1)(E)										
Electronic status of liquidation and reliquidation Sec. 411(a)(1)(F)										
Electronic selection of high risk entries for examination: (1) cargo Screening and										
(2) entry summary screening Sec. 411(a)(1)(G)										
Electronic filing and status of protests Sec. 411(a)(2)(A)										
Electronic filing (including remote filing under section 414) of entry information with the Customs Service Sec. 411(a)(2)(B)										

Appendix C. Desired Business Results

CBP executives defined DBRs that will contribute to the achievement of CBP strategic objectives and the benefits outlined in the ACE Cost Benefit Analysis. These DBRs reflect current CBP and DHS priorities. The table below depicts these DBRs and the alignment of the ACE releases.

<div> <div>Release Functionality</div> <div>ACE Desired Business Results</div> </div>	Account Creation	Periodic Payment	e-Manifest: Trucks	Entry Summary, Accounts, & Revenue	e- Manifest: All Modes & Cargo Security	Exports & Cargo Control	Selectivity & Targeting
	Release 2	Release 3	Release 4	Release 5	Release 6	Release 7	Selectivity S1-S4
1. Improve accuracy and timeliness of information to support threat assessment decisions	✓		✓	✓	✓	✓	✓
2. Improve detection of trafficking in prohibited and restricted goods	✓		✓	✓	✓	✓	✓
3. Detect and remedy unfair trade practices and illegal activities	✓		✓	✓	✓	✓	✓
4. Enable modern commercial business practices of the trade community	✓	✓	✓	✓	✓	✓	
5. Safeguard the revenue of the government	✓	✓		✓	✓	✓	
6. Integrate PGA participation for for executing regulatory requirements	✓	✓	✓	✓	✓	✓	✓
7. Enable increased compliance rates through the use of efficient and effective informed and enforced compliance processes	✓	✓	✓	✓	✓	✓	
8. Enable and accounts-based approach	✓	✓		✓		✓	
9. Improve responsiveness and adaptability to policy, statutory, and regulatory changes, and trade volume increases	✓		✓	✓	✓	✓	
10. Provide a single interface to the trade community	✓	✓		✓		✓	
11. Improve workload management	✓	✓	✓	✓	✓	✓	✓

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Appendix D. ACE Performance Measures

While Desired Business Results (DBRs) provide the ACE program with a framework for making business and technical architecture decisions with respect to overall value considerations, specific performance goals, and measures ultimately support the CBP Automation Modernization budget. Examples of ACE efficiency, workload, and deployment measures are provided in the table below. Further detailed information can be found in the *Revision of the ACE DBRs and ACE Release Level DBR Objects and DBR Measures, Version 17.5, September 23, 2005*.

Measure		FY05	FY06	FY07	FY08	FY09	FY10	FY11
Account Creation (Release 2)								
Percent of internal CBP population using ACE functionality to manage trade information	Plan Actual	11% 8%	18% 11%	26%	26%	63%	100%	100%
Percent of trade accounts with access to ACE functionality to manage trade information	Plan Actual	2% .8%	6% 4%	11%	13%	16%	47%	100%
Periodic Payment (Release 3)								
Percent of total duties and fees paid through Periodic Monthly Statements	Plan Actual	20% 10.9%	30% 19%	40%	50%	60%	70%	80%
e-Manifest: Trucks (Release 4)								
Percent reduction of CBP truck processing time (measured from the baseline established at each Port of Entry)	Plan Actual	6% +70%	18% +26%	25%	25%	25%	25%	25%
Nogales, AZ *		+14%	+14%					
Pembina, ND*								
Detroit MI*			-27%					
Port Huron MI*			-36%					
Percent of truck manifests that are filed electronically at each Port of Entry	Plan Actual	5% .3%	20% .2%	65%	100%	100%	100%	100%
Entry Summary, Accounts and Revenue (Release 5)								
Percent reduction in manual entry summary processes	Plan Actual			85%	85%	85%	85%	85%
Percent of electronic monthly Automated Broker Interface (ABI) Statements	Plan Actual			0%	10%	25%	50%	75%
e-Manifest: All Modes and Cargo Security (Release 6)								
Percent increase of information shared across all modes of transportation to be used to enhance national security	Plan Actual				5%	10%	20%	30%
Percent of cargo being reported to CBP by the custodial carrier on behalf of the carrier that initiated the cargo movement	Plan Actual				5%	10%	20%	25%
Exports and Cargo Control (Release 7)								
(Performance Measures for Release 7 will be developed as part of the requirements development process scheduled to begin in FY08)	Plan Actual							
Screening Foundation (S1)								
Total number of linked electronic sources from CBP and other Government agencies for targeting information	Plan Actual	0	4	9	9	9	23	23
Number of manifests where CBP officers forecasted workload levels through impact assessments within 15 minutes	Plan Actual		100,000	100,000	100,000	100,000	100,000	100,000
Targeting Foundation (S2)								
Percent reduction of person of interest passenger information responses taking more than 15 minutes	Plan Actual		70%	75%	75%	75%	75%	75%
Number of CBP targeting platform portal accounts	Plan Actual		2,000	5,000	10,000	10,000	10,000	10,000
Advanced Targeting (S3)								
Number of Government agencies with access to S&T systems	Plan Actual		1	6	10	12	12	12
Number of external (non-CBP) data sources integrated into the Targeting Platform	Plan Actual		4	6	8	10	10	10
Full Screening and Targeting (S4)								
(Performance Measures for Release S4 will be developed as part of the requirements development process scheduled to begin in FY07)	Plan Actual							

* Percentage change figures based on partial post-deployment processing time analyses conducted at Nogales, Arizona, and Pembina, North Dakota, in September 2005 and November 2005, respectively. Data refinement and trend analysis is continuing. Processing time increases are expected to be temporary and likely due to system user learning curve resulting from ACE as a new business process tool. FY06 actual data is provided as of February 28, 2006.

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Appendix E. ACE Accountability Framework

The following chart illustrates the categories of data that are captured on ACE capabilities, cost, schedule, EVM indicators, risks, mission values and benefits, and business performance measures.

Release Name (Release #)		Schedule Start/Finish:										
Capabilities	Plan					Comments						
Accomplishments												
Cost / EV		Original Plan*	Current Plan*	Contract Value	Estimate (EAC)	Actual	Percent Complete	CPI	SPI	CV	Projected VAC	VAC %
	Comments:											
Schedule	Milestone	Original Plan*	Current Plan	Contract	Estimate	Actual	Comments					
	PDCR											
	PDR											
	CDR											
	TRR											
	PRR											
	ORR											
General Comments												

* Original Plan is Program Plan V11.2
 Current Plan is Program Plan v12
 Estimate is Latest Plan w/updates to Program Plan V12

Acquisition Sensitive

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Appendix E, continued

The following chart illustrates the categories of data that are captured on ACE capabilities, cost, schedule, EVM indicators, risks, mission values and benefits, and business performance measures.

Release Name (Release #)

Risk	Risk Statement		Mitigation Actions	

Mission Value / Benefits	DHS Strategic Goals	CBP Strategic Goals	ACE CBA Benefits	ACE DBR	ACE DBR Objective	Release Objective

Performance Measures	Performance	FY05		FY06		FY07		FY08		FY09	
		Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
Comments:											

Appendix F. Schedule Outlook

The following table compares ACE Program Plan Version 11.2 Development Milestones (program baseline) with current projections.

Release Name	Key Milestone	ACE Program Plan Version 11 (Baseline)	Current Outlook
ESAR (Release 5)			
• Master Data and Enhanced Accounts	PRR ORR FOC*	07/17/06 12/19/06 01/19/07	10/02/06 12/29/06 01/29/07
• Entry Summary and Revenue	PRR ORR FOC	07/17/06 12/19/06 01/19/07	07/02/07 10/01/07 11/01/07
e-Manifest: All Modes and Cargo Security (Release 6)			
• e-Manifest: Rail and Sea	PRR ORR FOC	11/03/08 04/06/09 04/06/10	10/02/06 12/29/06 12/29/07
• e-Manifest: Air	PRR ORR FOC	11/03/08 04/06/09 04/06/10	07/02/07 10/01/07 10/01/08
• e-Manifest: Enhanced Tracking	PRR ORR FOC	11/03/08 04/06/09 05/06/09	03/02/09 06/01/09 07/01/09
Exports and Cargo Control (Release 7)	PRR ORR FOC	02/15/10 07/16/10 08/16/10	9/30/09 12/31/09 01/31/10
Screening Foundation (S1)	PRR ORR FOC	08/18/05 11/10/05 12/01/05	12/22/05 04/06/06 04/06/07
Targeting Foundation (S2)	PRR ORR FOC	04/27/06 07/20/06 08/20/06	08/31/06 09/28/06 06/15/07
Advanced Targeting (S3)	PRR ORR FOC	11/29/06 02/28/07 03/28/07	06/14/07 07/27/07 03/28/08
Full S&T (S4)	PRR ORR FOC	07/21/09 10/13/09 11/13/09	04/17/08 06/12/08 02/20/09

*Full Operational Capability (FOC) reflects the date by which releases will be fully deployed nationwide.

Appendix G. Acronyms and Selected Definitions

AAF	ACE Accountability Framework
ABI	Automated Broker Interface
ACE	Automated Commercial Environment. The first major project of U.S. Customs and Border Protection Modernization. Through enhanced business processes and the new technology in ACE that will support them, border security and trade facilitation will be greatly enhanced.
ACH	Automated Clearinghouse
APB	Acquisition Program Baseline
ATDI	Advance Trade Data Initiative
ATS	Automated Targeting System
CBP	U.S. Customs and Border Protection
CSPO	Cargo Systems Program Office: The program office responsible for ACE cargo management capabilities and other cargo processing systems
C-TPAT	Customs-Trade Partnership Against Terrorism
DISM	Data Integration Services Manager
DHS	Department of Homeland Security
EA	Enterprise Architecture
EDI	Electronic Data Interchange
ESAR	Entry Summary, Accounts, and Review
EVM	Earned Value Management
FAST	Free and Secure Trade
FOC	Full Operational Capability
FTZ	Foreign Trade Zone
FY	Fiscal Year
GAO	Government Accountability Office
HC	Human Capital
HCM	Human Capital Management
ITDS	International Trade Data System
LCCE	Life-Cycle Cost Estimate

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LCCM	Life-Cycle Cost Model
MiKE	Metadata Knowledge Enterprise
OIT	Office of Information and Technology
ORR	Operational Readiness Review
PGA	Participating Government Agency
PRR	Production Readiness Review
PTR	Problem Trouble Report
SDLC	Software Development Lifecycle
S&T	Screening and Targeting
TASPO	Targeting and Analysis Systems Program Office: The program office responsible for Screening and Targeting systems, including ATS and ACE S&T development efforts